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THE WHITE HOUSE

TEXT OF AN ADDRESS ON "SOME ASPECTS OF THE SOVIET ECONOMY" DELIVERED BY THE HONORABLE GABRIEL HAUGE, SPECIAL ASSISTANT TO THE PRESIDENT, BEFORE THE ECONOMIC CLUB OF WORCESTER, WORCESTER, MASSACHUSETTS, MONDAY EVENING, 8:00 P. M., EST, APRIL 14, 1958.

The Sputniks have brought in their wake a good deal of second-looking at the Soviet Union -- its technology, its politics, its society, its economy. Out of this range of topics, I would like to talk economics with you tonight.

My purpose in coming here is neither to bury the Russian economy nor to praise it. Rather, I would like to look at some of its strengths and weaknesses, and to speculate with you a bit on some implications for the Russians, for the newly developing countries of the world, and for the American people. Needless to say, time will necessarily limit us to the broadest brush strokes, with little opportunity for qualifying detail.

I.

Since the First Five Year Plan of 1928, the Soviet Union has developed rapidly from the predominantly agricultural economy of the Czars. Forced draft industrialization, with its accent on heavy industry, was carried out by Stalin to prevent, as he put it, another beating of backward Russia by the more advanced capitalist countries. This was his justification for brutally holding down living standards to the barebones minimum. Now Khrushchev has announced the goal of catching up and surpassing the United States in production within the shortest possible time.

While the Russian economy was the sixth largest in the world under the last Czar, it now ranks second and it continues to grow. Total Soviet output equalled a third of our own in 1950. By 1956, with a population 20 per cent larger than ours, Soviet production had increased to about 40 per cent of United States gross national product.

In the uneven development of the Soviet economy, industrial production, especially heavy industry and military equipment, has been favored. Over-all industrial production in 1956 approximated 40 per cent of ours. The distribution of that production among the several industries, of course, differs from our own. Russian output, for example, of automobiles, washing machines, and refrigerators, ranges between two and four per cent of United States production of these goods. By contrast, the Soviets devote a far higher proportion of industrial output than we do to weapons production, which is their most efficient industry. They also concentrate more than we do on the products of heavy industry in general.

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The output of some products approaches our own. Though lower for other fuels, Soviet coal output equals about 70 per cent of ours. Steel output is about half that in this country. Since annual additions to steel capacity are now running about equal in tonnage in the two countries, the output of steel mill equipment must be about the same. The number of machine tools being produced is about twice that of the United States. Naturally the pattern is not uniform. Soviet output is much lower than ours in many essential industries such as petroleum, copper, aluminum, rubber, most chemicals, and electric power.

In a word, Soviet production has expanded considerably. Although its over-all growth rate between 1928 and 1955 was not much higher than our own, the Soviet economy has been growing since 1950 at a rate roughly twice that of the United States. Since 1950 its average growth rate has been six to seven per cent. Its industrial production in this period has been expanding at about ten per cent a year. However adjusted to take into account the various qualifications scholars find necessary, the Soviet growth experience is substantial. It is a significant fact of today's world. It is a fact Americans should understand.

II.

The Soviets have been able to achieve this expansion by tapping their wealth of natural resources and by ruthlessly shifting more than twenty-five million peasants out of agriculture between 1926 and 1955. During the same period, the non-agricultural labor force increased by an average of more than a million workers a year. In addition to its own natural and manpower resources, the Russians borrowed advanced Western technology and were aided by Western technical assistance. For example, General Electric built the Dnepropetrovsk power generators, Ford designed the Gorky auto plant, and International Harvester set up the Stalingrad tractor facilities. The results of all of this can be seen in the large amounts of American, as well as British and German equipment, still used in many Soviet factories.

The key element of their expansion, however, has been purely domestic. It has been a matter of exploiting the people in order to devote every possible ruble of production to investment. This emphasis continues. In 1956 total Soviet investment in industry and public utilities amounted to 80 or 85 per cent of plant and equipment expenditures in the United States.

Per capita consumption, on the other hand, is only one-fifth of ours. The mass of the Soviet people, especially the farmers, have been the underprivileged Cinderellas of the Communist community.

Changing patterns and emerging difficulties are somewhat slowing down the growth rate. Consider Soviet agriculture. Stalin sought to control the peasants and force a movement to the factories. These efforts helped make Soviet agriculture an economic flop. Since 1928 farm output per capita in Russia shows very little gain. Soviet agriculture is grossly inefficient. We produce agricultural superabundance with one-tenth of our labor force. Russian agriculture just manages to produce a grain, potato and cabbage diet for the Russian people. In the process it utilizes about half the Soviet Union's working population.

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Nature is somewhat to blame. Much of the sown land is not as rich as ours. The growing season is shorter and does not allow much room for the vagaries of climate and rainfall. Most observers conclude, however, that much of the blame falls upon the Communist leaders themselves. Soviet peasants bore the brunt of the cruel burden of forced industrialization, especially in its early years. They were squeezed until there was little left to recompense their drudgery. They were over-organized. Their labors were directed by distant planners unfamiliar with local conditions. Investment in fertilizer and equipment until recent years was meager.

Now the Soviet leaders have promised their people a better diet than in 1956, including 40 per cent more milk this year and three and a half times more meat by 1961. Khrushchev has announced that Soviet agriculture will overtake American per capita output of milk in 1958 and of meat by 1960 or 1961. That his own economists thought such goals visionary, Khrushchev himself rebukingly disclosed. Maybe the purpose behind the Russian chieftan's boast is to cast the American farmer in the role of Stakhanovist pacemaker to spur his Russian counterpart to greater efforts. Be that as it may, he could have challenged no more formidable American representatives in the game of productivity than our livestock and dairy farmers. I can only hope for the Russian people that in the future, Russian cows produce as much milk in Russian milk pails as they do in Khrushchev's propaganda speeches.

The Kremlin is also under pressure to raise industrial productivity to compensate for the slowing down in additions to the industrial labor force. Over the next five years, the movement of war-reduced age groups into jobs will add about 1.1 million workers to the labor force annually. This is about a third fewer than in each of the last seven years. While the Soviet leaders hope that the flow of farm labor into industry will be resumed before too long, the immediate goal of more food is likely to require increased agricultural labor during the next five years.

The slower expansion of the labor force will, to some extent, be offset by increased efficiency. In this vital area, the Soviet managers seek to raise productivity to that of this country where industrial output per worker is between two and three times greater. Intensive research and development, both Russian and Western, hold the promise of continued or even accelerated general technological advance. In Soviet industry, furthermore, there are many unexploited opportunities for increasing productivity through the application of existing technology. This is true not only in the capital-starved consumer goods and service industries, but in heavy industry as well. The modernization and re-equipment of industrial plants, now underway, will certainly raise productivity, but probably by less than the high expectations of the Kremlin.

To increase productivity by another means, great stress has been placed on industrial management. Russian journals frequently complain of bungling, ineptness, and even irrational behavior by managers and planners. To ease the rigidities, there has developed what one observer calls "blat." This is the function of wangling an

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allocation, an over-plan credit or spare tire by give-and-take, tacit bribery, or a friendly pat on the back here and there. A sort of salaried "five-percenter" sets up blat for his factory or supply depot. The big-city practitioner, running blat for a whole string of provincial factories, apparently deserves much of the credit for the fact that things do get done. All of this, of course, is not quite according to Marx.

Management and planning must have been deficient, indeed, to justify the wholesale shake-up of Soviet industrial organization announced by Khrushchev last May. The great industrial ministries centered in Moscow were wiped out and the operational supervision of most state enterprises shifted to 102 regional economic councils. Through this decentralization, the Communists hope to mobilize local resources and local initiative more effectively, to free the central planners from detailed operations, and to reduce the bureaucracy.

Perhaps the bureaucracy will be reduced. Some unwritten laws, including Parkinson's suggest it will increase. The prospect of administrators in 102 regions, each with the usual complex of deputies and staff assistants with which a Soviet bureaucrat surrounds himself, points rather to a burgeoning apparatus, not a streamlined administration.

Perhaps the Kremlin may be more successful in gaining greater productivity from local management with local incentives. Moscow is not, however, surrendering its formidable tools for central control -- the apparatus of the Communist Party, its inspectors, the financial organs and, most importantly, central control over planning.

We can reasonably speculate that the decentralization of Soviet industry may tend to regionalize the pattern of industrial self-sufficiency and development. It may improve efficiency somewhat. It may well complicate administration and planning initially with uncertain ultimate results. Perhaps it will also make the economy more responsive to its consumers.

The Soviet leaders have already come, for various reasons, to place greater emphasis on improved consumption: to stimulate labor productivity through the material incentives of improved living standards, to help remove the stigma of poverty from Communism and thus increase its attractiveness at home and abroad, to help generate more active support among the Soviet population, and to meet the sweeping pledges made by Khrushchev during the Presidium struggle of last year and reiterated when he recently displaced Bulganin as Premier.

While the consumer goals set by Malenkov in 1953 were abandoned and have not yet been attained, the Khrushchev program is both more ambitious and more specific. It puts special emphasis on lessening the very severe deficiencies in housing and agriculture, which are probably to receive almost a third of the total state investment provided under the proposed Seven Year Plan.

If Khrushchev's standard-of-living goals are to be reached, the share of resources available for the military or for investment in the expansion of basic industries must be lower than in the past. At the same time, a larger share of industrial investment will have to be devoted to programs with a relatively low pay-off of new production.

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This will be true, for example, of the development of the eastern regions where initial investment requirements are high. It will be true also for the expansion of the fuel and raw materials base. In this area a chronic lag in new construction produced severe shortages in 1956 as the more easily extracted materials approached exhaustion. Obviously, total output will grow less rapidly under such a distribution of investment than when the minerals base was neglected to allow maximum investment in such high pay-off sectors as machine-building.

Faced with the political necessity of devoting added resources to improving living standards, of supplying economic aid to Communist China and the European satellites as well as to some other countries, of maintaining a huge and costly military establishment, the Kremlin has had to reduce capital investment plans. This fact has meant scaling down previous growth rates of heavy industry. Accordingly, the Sixth Five Year Plan of 1956 contemplated 25 per cent less industrial expansion than claimed for the preceding Plan. Even this target is apparently being lowered in the proposed Seven Year Plan now being designed to replace its defunct predecessor which had to be scrapped last September. This confession of failure recognized that the 1960 goals could not be attained on schedule because the cumulative short-falls in several basic industries during 1956 were not remedied in 1957. Last year saw other failures to build new capacity planned for coal, iron ore, rolled steel, and electric power.

Nevertheless, the Soviet planners continue to devote a higher portion of their resources to investment than we do. This emphasis will help assure a continuing high rate of growth for the Soviet Union as long as rapid growth remains a major national objective. If Khrushchev's innovations achieve sufficient success to prevent a further decline in the rate of growth, by 1972 the Soviet steel output would double and the energy base would about triple. Also, with no reapportionment of priorities, consumption for the estimated 260 million Soviet citizens at that time would have increased, on a per capita basis, by more than 60 per cent under the plan. The diet would be markedly improved and the present 13 by 13 foot living space for the average Russian family of four would be replaced by at least a two-room apartment with kitchen and bath.

This is the plan. It may or may not come to pass, for, as it has been said, to plan is human; to fulfill, divine -- or nearly so.

III.

Whether or not these goals are achieved, perhaps an acceleration in the trend of improvement from World War II levels of individual welfare would be enough for the Kremlin's purpose. Without substantial progress toward these goals, however, the damage to worker morale might limit economic growth and weaken popular support for the regime. At the very least, such a failure would undermine the image coveted by Khrushchev of a Government dedicated to popular welfare and determined to fulfill its promises to the people.

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Perhaps the first major implication of recent developments for the Russian people is this: the Government's freedom of action relative to the population has, to some extent, been diminished. For even a complete dictatorship is inevitably influenced by the atmosphere in which it operates. It is conditioned by the needs and aspirations of its administrators, the society's professionals, and, at least to a limited degree, the population at large. The heavier emphasis upon incentives in directing the activities of the Soviet citizen cannot easily be withdrawn. Presumably, Stalinist techniques could be reasserted only at great cost in terms of popular morale and internal stability. Moreover, the steps away from coercion and terror are mutually reinforcing. A reversal in direction, therefore, is becoming increasingly difficult.

Beyond this is a second major implication: the possibility of a spiraling emphasis on the production of consumer goods. Consumer desires may gain a new champion in the local economic officials who, under the decentralization scheme, will be in a position to have a real influence on investment planning. A greater production of consumer goods, moreover, will be required in order to apply existing pay scales to the increasing number of more highly trained workers and professionals. The larger number of scientists, technicians, and other professionals will have to be provided for in a manner befitting their station, even as the members of the Presidium and other high officials are today. This will require enlarged production of consumer goods and especially better housing. There must be something for higher ruble rewards to command. As the Kremlin faces up to the realities of this problem of human nature, its leaders may sense the point in Paul Henri Spaak's remark that it is harder to provide all members of the community with a roof, shoes, and meat than it is to launch an artificial satellite.

Third, the rising technical and professional level could itself profoundly influence the long-run development of the Russian society, both economically and politically. While specific prediction would be unwise, one can at least note several tendencies. There is, for example, the difficult job of running a complex modern industrial state under a totalitarian form of government. The Kremlin needs, in effect, the despised bourgeoisie. Such people, even in Communist Russia, may well be more interested in bettering the lot of their children than in doctrinaire socialism. Moreover, even directed education tends to stimulate some independent curiosity and thought. The skepticism of science, for example, cannot be confined to watertight laboratories. Some of it is bound to flow out. Similarly, the new generation of economic managers and planners who didn't experience Czarist Russia or the rigorous discipline of the revolution may be more flexible than their predecessors. These tendencies toward a more "liberal" outlook on the part of the intellectuals, the managers, and the technicians have probably been reinforced by the trauma of the de-Stalinization campaign together with the constant revisions of Soviet dogma.

Fourth, Communist doctrine is being forced to yield to the impact of history. Soviet leaders have now openly abandoned the notion that the study of capitalistic accomplishment is unnecessary and even unpatriotic. In early 1956, at the Twentieth Party Congress, Anastas Mikoyan, now First Deputy Premier, criticized Soviet economists as deficient in the study of the present phase of capitalism. He went on to complain that they frequently limited themselves to picking out isolated facts for propaganda purposes and thus failed to make a real evaluation of economic activity abroad. Even at home, Mikoyan grumbled, Soviet economists frequently only skim the surface, functioning as dogmatists and purveyors of old formulas and old data.

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If the Communist Party leaders mean what they seem to be saying, they are opening an even wider area to re-examination. The dogmatists are giving ground to the pragmatists, like Khrushchev, who face facts and adopt new measures. Even formal State ownership was apparently modified by his recent transfer of equipment from state-owned machine tractor stations to the collective farms which are nominally owned by their members, though very closely controlled by the Government.

Although Khrushchev is hailed in the Soviet press as a leader of Marxist theory, he has been the chief sponsor of the recent sweeping modifications of Soviet institutions. We do not know what will be the next move in his search for economic efficiency. It is clear, however, that nearly all of the institutional features and managerial practices of the Soviet economy will be subject to critical review.

Soviet leaders have already scrapped the long-held concept that machinery and equipment become obsolete only in capitalistic economies. In view of the crudeness of their yardsticks for measuring economic efficiency, they might even adopt a pricing system, including interest rates, that reflects both cost and relative scarcity of factors of production. Some Soviet writers almost seem to recommend the market mechanism of hated capitalism for setting prices. In an era of drastic change within the Soviet Union, even this heresy might be accepted.

In noting Khrushchev's pragmatic approach to economics, one is reminded of his remark at the height of the de-Stalinization drive. He said then that if the capitalist West expected Russia to abandon Communism, it would have to wait until the shrimp learned to whistle. Some observers of Khrushchev's Russia today think they detect what could be the first faint sound of a shrimp trying to whistle.

Will Soviet economic development and technological advance continue to dilute doctrinaire Marxist ideology? Is it possible that economic growth and scientific development within the Soviet Union will consume the roots of Russian Communism? Is it possible that the stubborn facts of economics will help guide its evolution toward a society with peaceful aims?

The speculation is interesting. Such remote possibilities, however, cannot dissolve our immediate concerns.

IV.

Aside from its military implications, perhaps our primary concern over the Soviet advance in production lies in the international political arena: the appeal of Communism to the developing and uncommitted nations of the world. Soviet Bloc production is increasingly available to forge economic and political ties with these countries through expanded trade and aid.

The last few years have seen rapidly growing Russian trade with its satellites, its traditional trading partners of Western Europe, and with the underdeveloped countries. From both the satellites and the industrial West, the Soviet Union imports, on balance, manufactured goods and exports raw materials.

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At times its sales affect world prices, as apparently recently happened with tin and aluminum. Their bargain prices could, of course, reflect conscious malice. More likely, the Russians cut prices in order to sell in competition with the established suppliers of Western markets. These operations were in all probability designed to supplement their occasional gold sales in financing their external trade. This does not, however, imply a great reliance upon world trade. Autarchy is a long-held Soviet dogma that insists upon avoiding undue dependence upon imports from other countries.

But neither autarchy nor heavy domestic requirements for manufactured goods has prevented the Soviets from expanding substantially their trade with the developing countries. For their policy rests not on the economic benefits of trade but in Communist international politics. Where influence is to be had, where normal trade channels are obstructed, or where market prices are considered low, the Soviet Bloc has eagerly stepped in. The Communists will buy anything or sell anything if it feathers their political nest. A ready example is their appearance as a major buyer of fish in Iceland -- a land where that product is vitally important in overseas trade.

The Communist Bloc has employed a second and related device to influence and penetrate the developing countries: military and economic aid totalling nearly \$2 billion since 1954. About one-fourth of this total represents military equipment, for the most part already delivered. The remainder is economic development assistance, mainly in the form of easy credits partially repayable in commodities over a twelve-year period.

As part of this aid, the Communists have undertaken substantial technical assistance. During the last half of 1957, for example, about 2300 Soviet Bloc technicians worked for one month or longer in nineteen developing countries of the free world. Simultaneously, the number of foreign students and technicians studying in Bloc countries is increasing.

The hazards of economic and technical dealings with the Communists have not entirely escaped the free countries. Perhaps Syria's recent merger with Egypt received a push from Syrian second thoughts on the dangers of being held too closely within the Russian bear's embrace.

Some countries have been wary of accepting large numbers of Soviet personnel, fearing the risk of subversive activities. Moreover, for a nation to export heavily to the Bloc is to withdraw from customary cash markets. If long continued, such withdrawals imply a progressive dependence upon Communist outlets which are governed by political -- and therefore unstable -- considerations. In addition to these major problems, imports from the Bloc are limited in variety, sometimes deficient in quality, and inadequately serviced and repaired. Under the circumstances, producing countries were somewhat distressed when the Communists resold Syrian wheat, Burmese rice, and Egyptian cotton in the world market. By and large, however, we should not overestimate these difficulties.

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Both Soviet aid and trade are growing. Though still relatively small in amount -- with actual aid expenditures so far amounting only to 10 or 15 per cent of commitments -- the concentration upon a few sensitive countries magnifies the significance of these endeavors. In aid as well as trade, moreover, the impact lies less in the size of Communist assistance than in the manner of its execution. They emphasize visible and tangible improvements, such as the steel mill in India. They also stress appealing projects, such as nuclear laboratories in Egypt and Yugoslavia and technical institutes in Burma and India. They scatter shotgun offers around the globe -- including South America -- fully confident that they will not have to make good on all of them. They make agreements rapidly in a blaze of publicity after top-level meetings. They masquerade as the unselfish and disinterested supporter of nationalism and seek to exploit with dramatic malevolence the frictions within the non-Communist world.

By these activities in trade and aid, the Communists seek to influence both the course of development and the international political attitudes of the developing countries. Their economic offensive will probably continue to be directed primarily toward the countries in which the Bloc hopes that its political objectives can be advanced. Subversion may be their goal in some cases. Perhaps more frequently, they seek to sway the international policies of these countries, to create ties of economic and political dependency, and to pave the way for the acceptance of Communism in the years ahead. Khrushchev has made it clear that the Soviet Union values trade least for economic reasons.

The Soviet state trading monopoly, controlled propaganda and internal dictatorship comprise effective machinery for pursuing these ends. Increasing production permits the increasing employment of this machinery. The Soviet leaders are no doubt pleased with what they regard as their success with this policy. They will almost certainly intensify their efforts, relentlessly waging the economic cold war. At the same time, they seek to create an image of the Soviet Union as a morally respectable and economically advanced member of the world community.

On the basis of their own development, the Soviets preach the doctrine of Communism as the only true way of economic progress. It is in this connection that their propagandists constantly emphasize the recent rise in unemployment in the United States. Khrushchev, in a recent interview with a French journalist, was quoted as saying about the unemployed in our present recession that they can die from need and privation and lead a dismal existence. Needless to say, temporary unemployment is of great concern to all Americans and to their Government. This concern has led to vigorous efforts to minimize its impact and to foster a resurgence of the economy. However, if Krushchev is concerned about the well being of the individual American, he should know that the average industrial worker in this country, temporarily out of work, can buy more with his unemployment compensation benefits than the average employed Soviet worker can buy with his wages. In human terms, moreover, the substantial under-employment of many Soviet workers means low productivity, low incomes, and thus a low living standard. It would be no trick for us to abolish unemployment in the Soviet fashion by abolishing free enterprise and chaining every worker to a State-controlled job. You don't have to ask free American labor why they reject that solution with the virtual serfdom and accompanying low wages it would entail.

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Business ups and downs around a growth curve create problems in a free economy, some of which we are now experiencing. But they do not compare with the political struggles and abrupt party line changes of a totalitarian economy. Nothing in our experience compares with the economic and social disruptions and human tragedies resulting from the forced collectivization of the Russian peasants. Even the relatively minor shifting of gears of the controlled society doubtless impairs economic efficiency -- when, for example, Malenkov assumed power and shifted emphasis to consumer goods, when he was deposed and emphasis shifted once more, and again when Khrushchev's policies took hold. Obviously, dictatorships with their regimented economies have serious problems of their own in trying to achieve stable progress.

The appeal of Communism to the underdeveloped countries is heavily grounded in anti-colonialism, which sometimes becomes anti-capitalism. Moreover, the most modern scientific achievements are linked to the image of the undeveloped Russian economy of 1917. The Communist Party line was fully spelled out at the Afro-Asian Peoples' Solidarity Conference held in Cairo last December. The familiar distortions were all paraded: that Soviet Russia had become a great industrial power in 40 years without any outside help, that history shows the fastest way to industrialize is to nationalize the means of production, and that this course is best for the masses of the people in raising living standards. Let's consider these claims.

First, did Russian development take place without external aid? The Soviet propagandists conveniently forget that they started with the Czarist economy which was then the sixth largest in the world with production per capita substantially greater than any of today's underdeveloped countries. The Communists also forget that their subsequent development was helped by vast infusions of foreign technical assistance in the 1930's, by the wealth of machinery and equipment that the West poured in under wartime lend-lease, and by the capital windfalls resulting from the Soviet looting of countries occupied during and after World War II.

As far as economic growth is concerned, it must be remembered that an advanced economy such as our own takes much of its progress in the form of an improved quality and variety of output, more services, and more leisure. Such growth in breadth and depth inevitably shows a lower statistical growth rate than the developing economy's expansion in basic and standardized commodities. During the forty years, 1880-1920, which some experts consider to be the period most comparable to the forty years of Communism in Russia, the American economy grew as rapidly as has the Soviet economy over its history. But there seems to be a disposition among some in the underdeveloped areas to discount our experience as a special case, now distant in time.

During the twentieth century, however, there has been a parallel development in Canada. The comparison of very different economies cannot of course, be precise, but over the same 40 years which encompass the Soviet experience, Canada grew at least as rapidly as the Russian economy. Indeed, her gross national product from 1920 through 1952 increased at an annual rate of over 7 per cent, measured in constant dollars. This growth, moreover, was far better balanced between agriculture and industry than Russia's. One should hesitate, therefore, to find in the Russian experience any clear solution to the economic development problem.

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But the cruellest hoax of all is the claim that Communism is best for the people and their living standards. Presumably this relates to those basic elements -- clothing, food and shelter. With regard to clothing, there has been a noticeable improvement under Communism. The Soviet's own published figures, however, show that the average Soviet diet in 1955 and 1956 could not have been much better, than under the Czar in 1913. In both periods, it was the same uninspiring grain and potatoes diet, with very little meat and other quality foods. In the matter of housing, a recent United Nations study showed urban housing standards in the Soviet Union to be the lowest in Europe. Russian city dwellers, after forty years of sacrifice under Communism, have no more living space than they did under the Czar. Housing remains the most depressing aspect of pictorial reports from present day Russia.

The Canadian experience, parallel in time, reflects in striking contrast sharply increased living standards for her people with no sacrifice of personal liberties. The Canadians have done this by providing an economic climate in which individual enterprise could flourish. They were thus able to supplement their own development capacity through a massive in-flow of private capital from abroad. Our own progress and growth at a comparable stage of development was aided in a similar way from Europe. That was a key to economic development in the United States as well as in Canada.

At the Cairo Afro-Asian Conference, the Russians characterized Soviet history as "A lesson in economic development." It is a lesson worth studying -- a lesson in wringing capital out of a regimented people. Rapid industrial growth can be achieved under Communism, but only by sacrificing the economic interests of the people. At the risk of some oversimplification which does no violence to the facts, we can say that forty years of Communism have given the average Russian citizen one more shirt in return for his sacrifices. The loss of liberty, the liquidation of friends and relatives, the long hours of labor, the terrible famines, all have been paid for with a few yards of cloth and a handful of social services. This is the true lesson of the history of Soviet economic development. It is a lesson that the developing nations should carefully read.

V.

This review of some aspects of the Soviet economy will be useful if it helps us see a few things more clearly.

First, the Soviet rulers, at great cost to the Russian people, have created an industrial machine of considerable strength. They have done so, however, not by slavishly following Communist theory but by steadily modifying its original doctrinaire concepts. They have abandoned egalitarianism and have built a society of great and growing inequalities and discrimination. But the Soviet economy is a fact today. We should nurture no illusions about it. We should know its strengths and its weaknesses and its capacity to change regardless of doctrine.

Second, fostering rapid and healthy economic growth in our own country must continue to be a major goal of private and public policy. We prize economic growth, not for its own sake, but for the well-being it is capable of bringing to the individual. To allow a competition-with-the-Soviets motive to overshadow the sound reasons for what we have long been doing would demean the will and intelligence of this nation. It might do more. It might produce efforts toward an unhealthy, inflationary puffing-up of our

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economy in the name of growth. It might lead to aping the forced-draft methods of the Soviets with all the damage that could produce in our kind of society. It might jeopardize the future of America's plenty-in-freedom.

Third, we must recognize the fact that Soviet economic expansion provides the Communist bloc with new resources for economic penetration among new and developing nations of the world. Our resolute response should be a vigorous support of reciprocal trade, adequate and imaginative economic and technical cooperation among friendly nations, practical re-emphasis on spurring an increased flow of private investment. It means, too, telling the true story of the economy of the American people -- what it is and what it has produced for us and for others. In the unforgettable language of the Declaration of Independence, "Let facts be submitted to a candid world."

The economy of the American people has served this nation and others well. It has brought a material complement to the dignity inherent in free men. It has provided the essential strength for the defense of our way of life and for those who share it. It lies within the power of this generation and those that will follow after to renew constantly this life-giving strength. That we can do by the imaginative and vigorous practice of freedom. And in so doing, we can hasten the day when the whole world becomes a neighborhood of nations.

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